MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BAC4664 – INTERNAL AUDITING

(All sections / Groups)

8 AUGUST 2022
9.00 a.m. - 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages excluding cover page with 4 Questions only.

2. Attempt all **FOUR** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

One of the purposes of the Quality Assurance and Improvement Program (QAIP) is to provide reasonable assurance to the various stakeholders that the internal audit activity is performed in accordance with its charter, and consistent with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and the Code of Ethics. A balanced scorecard is an example of assessment towards the internal audit function (IAF).

Required:

(a) List **THREE (3)** types of measurements assessed by the following performance categories under the balanced scorecard:

i. Management/Auditee
ii. Internal Audit Process
iii. Innovation and Capabilities

(9 marks)

(b) According to the standards, the external assessment must be conducted once every five years. Explain the two types of external assessment approved by the Institute of Internal Auditors (IIA) for all organisations.

(9 marks)

(c) Despite the advantages of having QAIP, there are some weaknesses to be considered in the assessment process. Identify a few common issues in the QAIP.

(3 marks)

(d) Describe **TWO (2)** responsibilities of internal auditors as Whistleblower.

(4 marks)

(Total:25 marks)

QUESTION 2

Planning is a crucial process to ensure that the internal audit activity is effectively managed. The Chief Audit Executive (CAE) is responsible for developing strategic planning as well as engagement planning to guide the overall direction of the internal audit function (IAF).

Required:

(a) Distinguish strategic planning and engagement planning. (4 marks)

Continued...

(b) Planning includes the assessment of risks and controls. To carry out the risk and control assessment, auditors normally perform audit procedures that includes walk-through test and internal control questionnaires (ICQ). Discuss.

(6 marks)

(c) When planning is done, the internal auditors will begin the data collection using various activities including an interview. Explain the steps to ensure a successful interview session.

(10 marks)

(d) System Development Life Cycle (SDLC) consists of seven phases that management should follow closely. The most important phase in the SDLC is Phase 6, where the programming and testing systems are in place.

i. List **FOUR (4)** factors that need to be considered in the testing phase.

(4 marks)

ii. Why 'testing the system' is important in the SDLC? (1 mark)

(Total : 25 marks)

QUESTION 3

An internal audit report is fundamentally the final product of an audit engagement that is considered important to the management. There are six detailed steps in the process of report writing to ensure the quality of the report.

Required:

(a) Describe the first **THREE (3)** processes of report writing. (6 marks)

(b) Apart from following the report writing process, an internal audit report should also be prepared based on the best practice guidelines to attract the readers, particularly the senior management.

Discuss any **FIVE (5)** of the internal audit report best practice guidelines.

(10 marks)

(c) The Chief Audit Executive (CAE) controls of distribution of the internal audit report. CAE determines who should receive the audit report in accordance with IIA Standard 2440 (Disseminating Results).

Illustrate any **THREE (3)** relevant policies to communicate the report to outsiders.

(6 marks)

Continued...

(d) A good reporting should include certain qualities. Briefly define the qualities below:

i. Accurate
ii. Objective
iii. Constructive

(3 marks)

(Total : 25 marks)

QUESTION 4

Terry is the internal auditor in Big Giant Bhd (BGB), a medium sized machinery company. The firm acquires tractors and other machinery parts from farmers who filed for bankruptcy by the bank. As Terry walks into the warehouse for a site visit, he noticed that numerous parts and machines look rusty and dusty. The warehouse manager explained that the items have been sitting there for years due to technology updates that have impacted BGB's business. Higher technology parts now replaced BGB's machinery parts at cheaper prices in the current market. Furthermore, the current inventory system in BGB is not able to flag the management of the slow moving stocks. As a result, the company's cash flow has a negative balance as of 30th June 2022.

Required:

(a) Identify **THREE (3)** types of risks and for each risk, list **ONE (1)** the relevant example taken from the case above.

(6 marks)

(b) Based on the risks discussed above, provide **THREE (3)** recommendations to the BGB to improve their current business situation.

(9 marks)

(c) Describe the steps to deal with conflicts.

(10 marks)

(Total : 25 marks)

End of Paper